

Service Date: December 28, 1982

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of Columbia)	UTILITY DIVISION
Heights Water Company Columbia Falls, Montana,)	DOCKET NO. 82.3.20
Increase Water Rates.)	ORDER NO. 4958

APPEARANCES

FOR THE APPLICANT:

John H. Bothe, Attorney at Law, P.O. Box 631, Columbia Falls, Montana 59912

FOR THE INTERVENORS:

James C. Paine, Montana Consumer Counsel, 34 West 6th Avenue, Helena, Montana 59620

FOR THE COMMISSION:

Opal Winebrenner, Staff Attorney, 1227 11th Avenue, Helena, Montana 59620

BEFORE:

HOWARD L. ELLIS, Commissioner and Hearing Examiner

BACKGROUND

1. On March 29, 1982, Columbia Heights Water Company (Applicant or Company) filed an application with this Commission for authorization to increase rates and charges for water service to its customers in the Columbia Falls, Montana area. The Applicant requested an annual revenue increase of approximately \$21,000.

2. On September 30, 1982, pursuant to notice of public hearing, a hearing was held in the City Council Chambers, City Hall, Columbia Falls, Montana, to consider the merits of the Applicant's proposed water rate adjustments. Due to the extensive late-filed exhibits the

Commission requested of the Applicant, the hearing was continued pending receipt of the exhibits and opportunity for the parties to submit data requests. The exhibits were filed and no party made data requests. Subsequent to the close of the public hearing, all parties waived their rights to a proposed order and stipulated to authorize the Commission to issue a final order in this Docket. MCA § 2-4-622(2).

ANALYSIS AND FINDINGS OF FACT

3. The Applicant's testimony and exhibits were presented by Mr. William Gress, owner of the Columbia Heights Water Company. Mr. Gress testified relative to: the financial condition of the water utility, the current condition of utility plant in service, the acquisition of the Steele Water Company and its integration into the Columbia Heights water system and the operating demands placed on the system by consumers.

4. The Montana Consumer Counsel presented the testimony of seven public witnesses whose major concern was the recurring loss of water pressure experienced on the system during periods of peak and off-peak demand.

5. Mr. Gress explained that he had bought the assets and assumed the operating responsibilities of the Steele Water Company, which was a public utility operating in the area adjacent to the area served by the Applicant. Mr. Gress purchased the Steele system during 1980 and integrated it with the Columbia Heights system by constructing an eight inch main connection. The Applicant has requested that the rates approved in this docket be applicable to all consumers connected to the system whether they be located in the old Steele service area or the Columbia Heights service area and that the name of the water utility serving all consumers connected to the system be the Columbia Heights Water Company.

6. With the acquisition of the assets and operating responsibilities and Mr. Gress' integration of the two water systems, the Commission finds it appropriate for the Applicant to assess uniform rates to the various customer classifications irrespective of their prior service area designation and that the Applicant may call the utility the Columbia Heights Water Company.

7. The test year ending April 30, 1982 is found by the Commission to be a reasonable period within which to measure the Applicant's utility revenues, expenses and returns for the purpose of determining a fair and reasonable level of rates for water service.

BASE RATE

8. The Applicant, in this application, has not proposed that a return be allowed on the original cost depreciated rate base. Since a return on the original cost depreciated rate base has not been requested, findings relating to the development of a rate base are not necessary.

OPERATING REVENUES

9. The Applicant presented test period operating revenues of \$5,340 to depict normalized sales to its Columbia Falls, Montana customers. The test period operating revenues presented by the Applicant are erroneous because they do not include the revenues associated with the sale of water to the Ol' River Bridge Inn (Inn). The Applicant has not included the revenues generated from sales of water to the Inn because he owns the Inn and has not assessed the Inn a monthly water charge per se. Rather than assess the Inn a fixed monthly charge for water use, it has been Mr. Gress' practice to have the Inn pay for expenses not recovered through the assessment of a water charge to the other consumers.

Information was not submitted relative to revenue generated by sales of water to the Inn, but the Commission accepts that it was an amount sufficient to keep the Company solvent and operating. The Commission later in this order will prescribe a monthly water charge for the Inn that insures the Company is receiving sufficient revenue to cover the cost of providing service to the Inn and also insures that the Inn is not subsidizing other customer classifications and vice versa.

The Commission accepts that test period operating revenues for customers, other than the Ol' River Bridge Inn, is \$5,340.

OPERATING EXPENSES

10. The test period operating expenses were an uncontested issue in this case. The Applicant utilized the 12 months ended April 30, 1982 to determine test period operating expenses. Total test period operating expenses of \$16,975 are accepted by the Commission.

REVENUE DEFICIENCY

11. The Commission finds that the Applicant is experiencing a revenue deficiency in the amount of \$11,635, determined as follows:

Operating Revenue	\$ 5,340
Operating Deductions	<u>16,975</u>
Operating Income (Loss)	(\$11,635)

SERVICE

12. Four of the seven public witnesses testifying expressed concern relative to a lack of water pressure. Two indicated that they had experienced no pressure problems and the remaining witness was not a subscriber to the utility service and had no comment on pressure. The testimony of the public witnesses indicates that pressure problems are being experienced on the Applicant's system, but does not prove conclusively that the problems are a result of the Applicant's plant being inadequate. The pressure problems experienced by the witnesses could be attributed to the fact that their service lines are corroded which results in restricted water flows or could be attributed to the Applicant's distribution mains being corroded, inadequate storage, etc. The Commission recommends that the Applicant canvas its consumers and determine if the fault of the pressure problem lies with the utility or the individual consumer (corroded service line) and should submit a report to this Commission.

RATE DESIGN

13. The Applicant has proposed that all consumers connected to the water system be assessed a charge of \$25 per month, with the exception of the Ol' River Bridge Inn which has no published rate.

14. The testimony indicates that the utility has 50 subscribers connected to the system (47 residential and 3 commercial, including the Inn) and that there are no meters located anywhere on the system to monitor either water pumped into the system or delivered to individual consumers. Due to the lack of substantial records relating to the consumption characteristics of the customer classifications, it is necessary for the Commission to rely upon the testimony of Mr. Gress and his knowledge of consumption on the system to determine fair and equitable rates for the customer classifications.

15. Mr. Gress' testimony relative to consumption indicates that there is only one subscriber on the system that would have consumption significantly above or below that of the

average residential consumer. Mr. Gress, in his testimony indicated that the Ol' River Bridge Inn consumed 25 percent of every gallon of water produced on the system and that the remaining 75 percent would be consumed by the other subscribers.

16. With the information in Finding of Fact No. 15, the Commission can make an assignment of class responsibility toward the overall revenue requirement of the utility. The Commission finds, based upon estimated consumption, that the Ol' River Bridge Inn should be responsible for 25 percent of the utility's overall revenue requirement and that all other consumers should be responsible for 75 percent of the Company's overall revenue requirement.

17. Utilizing the 25 percent to 75 percent ratio, the Commission determined that the annual cost of providing service to all consumers, except the Ol' River Bridge Inn, is \$12,731.25 ($\$16,975 \times .75 = \$12,731.25$). By dividing the annual customer class cost by the number of customers (49), the Commission determined the annual cost per customer is \$259.82. Then the Commission divided the annual cost per customer by 12 months to determine the monthly rate of \$21.65. Again utilizing the 25-75 ratio, the Commission can determine that the annual cost of providing service to the Ol' River Bridge Inn is \$4,243.75 ($\$16,975 \times .25 = \$4,243.75$), and then by dividing by 12 months can determine a monthly rate of \$353.65.

18. The Commission has used the best evidence available for purposes of determining the monthly rates as presented in Finding of Fact No. 17, and recognizes that a certain degree of rate inequity may exist between customers. The only way to insure that each customer is paying his equitable share, is by the installation of meters wherein each customer would pay for the actual amount of product consumed. The Applicant should examine the possibility of metering the system in view of benefits that may be gained, i.e. reduced water consumption by consumers, equitable rates, reduced operation and maintenance expense with reduced consumption, delaying the necessity to increase plant due to reduced consumption, efficient management of a natural resource and so on.

19. The Commission finds that the Applicant should implement water rates as set forth in Finding of Fact No. 17.

CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this proceeding. Title 69, Chapters 3 and 7, MCA.

2. The Commission afforded all interested parties notice of and an opportunity to participate in this proceeding. Section 69-3-303, MCA.

3. The rates approved herein are reasonable and just. Title 69, Chapter 3, MCA.

ORDER

NOW THEREFORE IT IS ORDERED by the Commission that Columbia Heights Water Company shall file tariffs consistent with the Findings of Fact for Docket No. 82.3.20 as contained herein.

IT IS FURTHER ORDERED that the rates approved herein shall be effective for services rendered on and after December 27, 1982.

IT IS FURTHER ORDERED that Columbia Heights Water Company file a report with this Commission, within 60 days of the service date of this order, outlining the results of its customer survey on water pressure problems.

IT IS FURTHER ORDERED that a full, true and correct copy of this order be sent forthwith by first class United States mail to the Applicant and all other appearances herein.

DONE IN OPEN SESSION this 27 day of December, 1982 by a vote of 5 – 0.

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BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

GORDON E. BOLLINGER, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

CLYDE JARVIS, Commissioner

THOMAS J. SCHNEIDER, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 28.2.4806, ARM.